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# The MANAGEMENT REVIEW

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# The MANAGEMENT REVIEW

JANUARY, 1935

## Unit Cost Control for Office Work

By G. L. HARRIS, Vice-President in Charge of Office Management  
*American Management Association*

WHEN we say that we are going to discuss cost control for office work you feel sure that we are going to consider methods of reducing costs. There was a time when such a discussion would have been looked upon universally as entirely laudable and praiseworthy. Nowadays it is not so. Immediately we mention saving money we are suspected of trying to do some poor clerk out of his job, of deliberately adding to unemployment, and thereby prolonging the depression.

Particularly are we looked upon with suspicion if we mention bonus or incentive plans for clerical workers. We are suspected of plotting to make machines of our employees, to reduce them all to the level of factory help, to drive them every minute of the day. And we at once come face to face with the argument that we cannot measure work which requires judgment.

Since we are sure to meet such criticism let us try to state our conception of the position taken by most employers of clerical workers. They are not trying to devise ways and means to drive their employees every minute. What they really want to do is to pay them what they actually should receive for their work. The large majority of employers do not want to save money solely at the expense of the clerical force. They do not want to increase unemployment. But—and we may as well recognize it frankly—they are all living and working in an age of intense competition. Their offices must do their work well and at a minimum cost. And in doing their work thus it is the constant effort of a very large number of employers to be fair, honest and considerate in dealing with their employees.

Undoubtedly there is no one plan of cost control that best fits all offices. Consequently we certainly should not be dogmatic about the supreme value

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of any one plan. Let us rather consider various tried and proved plans and see what is good and what not so good about each. But let us admit that we are out to reduce costs, and then let us resolve that we are going to do so only in a fair, human and considerate manner. If our plans cause any employees to lose their jobs, let us make sure that they are the very least deserving of all our employees. If our plans cause other employees to do more work in the same number of hours and thereby save us money, let us make sure that we pay fairly for this extra work and share with our employees the savings they help us make. If our plans increase the burden of the supervisor, let us increase his pay too. If we use a stop watch to measure a task, let us do it openly. If we set standards of accomplishment let us tell those to whom they are applied how we arrived at our standards. True, we shall have to be arbitrary at times, but let us not just impose our will and our ideas on employees without at least talking it over with them.

So much by way of introduction. Now, let us look at the various methods of controlling costs of office work. These methods are particularly worthy of study because they are actually in use in offices today. In short, we shall attempt here merely to be a clearing house to report on what has been and is being done, but we shall pay particular attention to the plan which follows the principle of Unit Cost Control.

#### Unit Cost Control Plans

These plans are especially adapted to companies which have more than one office doing similar clerical work. They provide means for comparing methods through comparing costs of operations, and make use of rivalry or competition between offices. Individual offices can profit from this type of plan, however, and if they can succeed in securing from their employees the proper mental attitude toward the job the result will be that the clerical force of their own volition will substantially better any reasonable standards that are set.

Nor, in the opinion of most employers, is this result dependent on the introduction of a direct wage incentive plan either in the form of piece work or of group wage incentives. In fact there seems to be a rather widespread feeling that such direct incentives would introduce difficult administrative conditions without resulting in greater production. The theory, and many say that it has proved itself in actual practice, is that if the competitive spirit can be fostered not only between individuals and groups of individuals but between offices in distant cities, production can be stimulated to as great an extent as through incentive plans.

#### Determining Production Units

One of the principal factors in building up competition is the securing of a correct measure of performance. Without such measurements the rating of the various clerks is usually based on the opinion of the supervisor, and

no matter how impartial and conscientious the appraisal may be, it is still only an opinion. Measurement results expressed in figures, and based on intelligent analysis and study of the work done are recognized and respected by employees.

The first thing we must do in preparation for measuring the work of the office is to analyze thoroughly the work of each clerk. By this we mean not merely asking the clerk to fill out a questionnaire as to his duties. We must actually observe him perform these duties.

From this analysis it is possible to decide upon certain "production units" which are to be performed. A production unit we shall define as the amount of work that should normally be performed in an hour. For example, it is a very simple matter to set up production units for various classes of typing or for operating different accounting machines. It is also fairly easy to segregate production units for sorting or filing pieces of paper.

Some analyzers start at the other end to devise units. They say, for example, "The main function of this office is to produce invoices. Our production unit, then, is simply the number of invoices issued by the entire group and it is this unit cost which we shall measure. In this manner we at once get the entire force to work together toward a common end—to issue invoices with less cost to the company."

These major units, namely invoices produced, are then broken down into the various component activities of which they are made up. Such activities might be:

- Direct Shipment Invoices Issued
- Shipping Reports Issued
- Typewriter Counts Produced
- Duplicating Machine Rolls Used
- Partial Shipment Invoices Issued
- Credits Issued.

Of course it is possible to go on and on until we measure and devise a production unit for every movement of every clerk. We can then spend so much time and money keeping records that the entire plan falls of its own weight. It is better to determine which major units the group as a whole produces. Then if other units of work can be segregated from these principal units they can be dealt with separately.

#### Evaluating Production Units

Having decided what units of work are done by the clerical force, the next step is to determine what is a reasonable task for each unit. This can be done by time study or by comparing one office with another. The most satisfactory method of making such comparisons is to set down first a list of operations which are common to the offices being considered. Write a description of the elements of each operation and forward it to each of the

offices. Ask them to keep a careful time record for each operation during the month and to associate with this time the volume of work of each class, the labor cost, and the associated supervisory cost.

When the reports of such a study are received and summarized, and the time factors are determined for each operation for each office, there are sure to be wide discrepancies in the results. But from this data it is possible to set up reasonable performance schedules for each of the operations. A temporary standard of production can then be established for each classification representing the amount of productive work that should normally be performed in an hour.

It is next necessary, if we are to secure a true comparison of costs, to take into consideration the differences in pay in the separate offices for the same class of productive work. We can then develop equated units of productive work, which are merely production units weighted to equalize the effect of the differences in pay. For example, suppose that one office pays fifty dollars for a certain job and other office pays sixty dollars for the same job. The first office produces 200 units and the second office produces 300 units. The cost per unit in the first office is \$50 divided by 200 or twenty-five cents. The cost per unit in the second office is \$60 divided by 300 or twenty cents. Therefore, in order for the first office to equal the performance of the second office they must produce  $1\frac{1}{4}$  times as many units of work. We assign to the units produced by the second office, therefore, a value of  $1\frac{1}{4}$  in comparison with those of the first office. In other words, we weight the units so as to get comparable records of achievement. If we assign an equated value of 1.00 to the units of the first office, the value of each unit produced by the second office is 1.25, which is  $1\frac{1}{4}$  expressed in decimals.

An Equated Unit of Productive Work, therefore, is a production unit weighted to equalize the effect of the difference in pay. The cost per equated unit is the result of dividing the number of equated units of productive work into the total cost, thus treating the cost of verification, supervision and lost time as overhead.

Monthly reports should be secured from each office, and these reports can readily be turned into a series of charts. The most important chart, of course, is the one which shows the number of units performed per hour and the equated cost per unit of work. The issuance of such charts introduces the element of competition between the several offices, and the result is inevitably an upward trend in the general production average for each office. Experience will soon make it possible to establish new standard production units based on subsequent studies and on special consideration of individual operations.

One of the most important advantages to be gained by such cost measurement is the more rapid acceptance of recommended standard practices. Obviously in establishing production standards you must take into consideration

the methods of work under which the standards can be attained. Therefore, the measurement report will not only foster competition but it will also prove a powerful incentive for the adoption of the recommended standard routine methods that will enable the offices to reach the production standards. We all know that the mere writing and issuing of a standard practice does not necessarily bring that standard practice into use, but you will find that a measurement report will do more than any other one thing to bring about standardization of office methods.

To some extent the calibre of the management of each office can be determined by the use which is made of measurement reports. Measurements of performance such as these cannot of course be precise, but so long as they are not misleading they offer a very effective means for indicating to the management the weak spots where corrective measures can be applied.

#### Bonus Plans versus Supervision

Let us turn now from consideration of such more or less definite cost control to other methods of controlling clerical expense. There is no doubt that exact measurement of clerical work, scientific assignment of tasks, and bonus plans both for individual and group accomplishment are coming more and more into favor. The business office is today in practically the same position in this respect as the factory was thirty years ago. Very few factories can now be found which do not pay wages on the basis of actual work done, whether the payment plan be based on standard time allowances for each task, on piece work rates, or on some other incentive plan. And whether we like it or not every one connected with clerical work in offices is going to have to give serious consideration to the problem of paying for clerical work on a scientific basis.

It is not our purpose here to defend incentive plans in general, but we cannot fail to recognize the results achieved by them in many instances. For example, we have definite knowledge of an incentive plan that increased the production of written manufacturing information for use in the factory as much as six hundred per cent, with a corresponding reduction in errors, a tremendous saving to the company, and an exceptionally well paid, well satisfied group of employees. We have seen a group of thirteen employees who spent an average of five nights per person per month working overtime take on an additional load of thirty per cent, eliminate the overtime, drop three of their number who were actually liabilities instead of assets, save three hundred dollars a month for the company, earn over two hundred more per month to be divided among themselves, do a better and more painstaking job, accomplish all this in the short space of three months, and all because they were placed on an incentive plan which was scientifically worked out.

You cannot disregard results like that. You may object to the way they are achieved. You may call it slave driving. You may prefer to rely on

supervision to accomplish similar results. But you will find it advisable to know about these bonus plans, and you may even find it advisable to try them out.

A complete treatise on clerical cost control through bonus plans would require several articles such as this, and should be presented with the different points of view of several persons and the different experiences of several companies. We shall simply list here some of the methods by which such plans are created and the different methods of payment for accomplishment of assigned tasks.

### Methods of Developing Bonus Plans

The simplest and most generally used type of incentive plan is based on past records of accomplishment of an individual or a group. In typing, for example, a device is attached to the machine, which records the number of strokes of the typewriter keys. After keeping a record of these strokes for a period of time a task is assigned which is in excess of the average accomplishment of the group, and a bonus is offered for accomplishing or exceeding the task.

This is very crude, but there is no doubt that it secures results. The danger lies in setting the assigned task too low, because experience shows that the capacity of any group of workers is generally far underestimated.

A much more satisfactory method is based on accurate time studies and ratings of individuals and groups. Based on such studies tasks can be assigned which more nearly represent an accurate judgment of what constitutes a fair day's work. The difficulty lies in the tendency to go into too great detail in the time analysis, and the resulting costs of keeping records may easily offset the advantages obtained.

The best plans in operation today are a composite of the previous experience and time study types. Particularly good plans can be developed from a study of accomplishment based on time studies. By this we mean that after several months the time study plan, with its inevitably complicated accounting, may be simplified through averaging the results. We can illustrate this by citing the steps in developing a stenographic department incentive plan.

Time studies of the different kinds of typing done by the group developed the following assigned tasks:

Typing from notes or copy.....	900 counts per hour
" " cylinders .....	1000 " " "
" tabular matter .....	500 " " "

This meant that each operator had to record the readings of the counter on her machine each time she changed from one type of work to another. Special accounting was kept, under this plan, of idle or waiting time and non-

incentive time (time spent on work for which no definite task was computed through time studies).

After a year's experience with these standards it was comparatively simple to determine what proportion of the work of the group was of each class of typing, what average daily time allowance should be made for waiting and non-incentive time, and from these figures assign an average task per hour regardless of the kind of typing done. In this case the average task was found to be 825 counts per hour, and the plan now combined the desirable feature of time study and the simplicity of accomplishment averages.

#### Methods of Bonus Payment

Just as is the case with factory bonus plans, so there is a wide variety of ways of paying bonuses to clerical groups. Some plans pay on the basis of hours saved, dividing the savings between the employees and the company. Others pay on the basis of savings over present costs, that is, costs at the time the plan is installed. For example, if each typed page turned out costs the company eight cents, they may pay the employees four cents a page for all work in excess of the assigned task. The theory of course is that the company and the employees share the savings.

#### Conclusion

Every incentive plan inevitably carries with it the need for careful inspection. Frequently there must be penalties provided for errors. This brings us back to the argument that we can really accomplish more and do it more pleasantly, if we rely on skilled supervision and back this supervision up with the ability to pay adequate wages. Those who argue for this type of plan say that a company will operate at less expense if it deliberately sets out to pay an average of ten per cent more for its clerical help than other companies in its territory pay for the same help. There is no doubt that such a policy will attract the select employees of the territory. Turnover of the clerical personnel will be smaller. More skill will be developed. Greater production of better quality will follow naturally.

If one of the higher rated employees of any group leaves for any reason, the difference between his rate and that of a new employee hired to replace him should promptly be given to the remaining members of the group on the basis of merit. Further, if the supervisor is given authority personally and individually to raise salaries—within set limits to be paid for the clerical work done by members of his department—with the approval of only his immediate superior being necessary, he has in his hands a very powerful incentive plan. He can continuously increase production and quality of work, and yet not materially increase the expense of running his department. Certainly this is fairer and more likely to bring about satisfactory results than the policy of hiring at the lowest possible rate and making the employees depend on earning a bonus in order to receive a living wage.

## THE MANAGEMENT INDEX

### Abstracts and News Items

### GENERAL MANAGEMENT

#### Important Questions of National Policy

In an address to the Illinois Manufacturers' Association on December 11, 1934, Alfred P. Sloan, Jr., President of General Motors, outlined his views on the present economic situation.

Our efforts to find a way out of the depression have led us into contradictory and inconsistent paths some of which violate the laws of economics. Mr. Sloan states as our objective "progress" which he defines as the advancement of the American worker. But the worker's well-being presupposes steady employment which, in turn, predicates a prosperous employer. Therefore, industrial initiative, free enterprise—the pioneer spirit should be encouraged.

Mr. Sloan opposes lowering hours of labor as a recovery measure on the grounds that it increases prices without increasing total wages and hence lowers the public's ability to buy. He believes that the pegging of wage rates is an uneconomic practice that freezes the natural process of recovery. Wages should be determined by the laws of supply and demand as they always have been.

The author is in favor of the Work's Council Plan. He believes that if the workers and the employers could get to know each other, difficulties would be few. "Unfortunately, many apparent conflicts arise, but, fortunately, and I say this most sincerely, analysis demonstrates that by far the great majority of these conflicts are traceable to a lack of mutual understanding. . . . In the most part they are psycho-

logical in character, and trivial so far as their economic significance is concerned." National Unions deprive the worker of his freedom and independence and compel him to pay for his job. Besides, National Unions are, in their very nature insatiable. Dissatisfaction is their *raison d'être*.

Unemployment insurance is all right in some respects, Mr. Sloan believes, but it is unreasonable to expect industry to bear the burden of seasonal unemployment.

The pegging of commodity prices like that of wages is dangerous because it reduces production and consumption while subsidizing inefficiency at the expense of efficiency.

In general, Mr. Sloan advocates a removal of the burdens that are now hindering industry and a return to *laissez faire*. By Alfred P. Sloan, Jr. *Vital Speeches of the Day*, December 17, 1934, p. 163:6

#### How Germany Reduced Unemployment

Within little more than a year unemployment in Germany decreased more than 50 per cent. This has aroused questions as to whether this development is "natural" or "artificial." An analysis of the causes of unemployment in Germany makes evident that all ideas of automatic readjustment had to be discarded. An active attitude of the government was required in order to cope with the situation. The article describes the development of public works, especially the system of revolving funds to finance these enterprises without currency inflation. Special legal methods of stimulating regular business are re-

viewed. The unemployment problem of young people has been solved by the Landhilfe and the Voluntary Labor Service. Whereas in 1933 the number of public workers increased rapidly, it decreased in the summer of 1934 as regular business became more and more able to absorb public workers. Consequently, an eventual decline of regular business can be checked by again extending public works. By Friedrich Baerwald. *The American Economic Review*, December, 1934, p. 617:14.

#### Conflicts of Policy in the Far East

In Eastern Asia it is particularly difficult to maintain peaceful and satisfactory international relations. The national policies of China, Japan and Soviet Russia are in conflict and frequently, in addition, challenge the aims and the treaty rights of the Western powers. The issues between them are made more acute by wide divergences in their political and economic development and their social systems.

Dr. Blakeslee discusses conditions under the following headings: Conditions in China; Conditions in Japan; Japanese-Chinese Relations; Japan's Right to Preserve Peace in Eastern Asia; The Naval Ratios; Soviet Russia in Asia; The United States in the Pacific and the Far East; The World's Peace Structure; Japanese Foreign Trade; The Solution.

"The best means for the solution of the problems of the Far East," he concludes, "is friendly cooperation between the Pacific powers. The ends to be sought are, for China, political unity and stability, economic progress and the preservation of its administrative and territorial integrity; for Japan, increased trade and military security; and for other states, the maintenance of their equal rights in Eastern Asia. It is possible that Japan's present program may turn out to be successful, but it has the promise of eventual failure. The attempt to hold Manchuria, extend a controlling influence over China, and restrict the rights of other states will naturally meet the continuing opposition of the

powers and, as China gains in national strength, the mounting resistance of the Chinese." By George H. Blakeslee. *World Affairs Pamphlets*, No. 6, September, 1934, 56 pages.

#### Business, Roosevelt, and the New Congress

The next Congress will definitely be a "spending Congress" and will vote some form of centralized control of credit, says W. M. Kiplinger, Washington analyst, in this article. Upon these two findings he bases prophecies as to what will happen in the next six months in Washington.

Two things have occurred in the past three months, he states, which will have a definite effect on the attitude Congress takes toward the problems he takes up— inflation, the Bonus, the budget, taxation, NRA, agriculture, the railroads, etc. One was a bit of rebellion of business interests, the other the elections. "The rebellion started in August," he declares, "and reached a high point in October. It wasn't very spectacular and 'rebellion' is too strong a word. But it had certain measurable results: The government took heed. Without veering its course materially, the government switched its line of talk to new emphasis on the need for appeasing business sentiment and cultivating the 'cooperation' of business. Bankers led in the spectacle, and others are now following. At least they talk cooperation. Previously they talked bass; now they talk falsetto.

"The elections gave the New Deal not merely victory but also a whale of a lot of new responsibility. The net effect of the business rebellion and the elections on the government administration," he asserts, "was essentially sobering."

He concludes: "Here's a final shot of guidance on Washington policies in the next six months:

"A spending Congress, but less wild than advance advertisements. Pretty much under control of the Executive. Tendencies toward government control of credit, government lending, government domination of broad credit policies. Tendencies toward

helping debtors of many classes. Tendencies toward use of government credit to accomplish this. Big public works, to supply the deficiency in industrial activity, jobs. Proportionately less for direct relief, with its inevitable degradation and scandal. Step by step toward inflation, in the hope that it will be of the controlled variety. Eventually higher taxes, perhaps this coming year, perhaps not. Further muddling on our foreign trade policy, further reluctance to accept imports." By W. M. Kiplinger. *Scribner's*, January, 1935, p. 1:5.

#### How Good Are Your Public Relations?

In this article a Canadian branch bank manager details some of the finer points of public relations for circumstances varying from calling on customers to delivering speeches. By Percy Gomery. *The Burroughs Clearing House*, December, 1934, p. 12:4.

#### Recovery: The Present Stage

As the present world depression enters its sixth year, Sir Arthur Salter, noted economist, makes this statement about actual economic activity.

His summary has been intentionally written in such a way as to bring out the dominating importance of currency and financial policy, and consequent developments, in the United States, as these seem to the writer to be by far the biggest single

factor in the present world position. If progress in the United States is satisfactory, "a general upward movement may be expected with some confidence, though there are certain dangers in that event of an inflationary boom followed by a new recession. International trade will for many years remain at a lower level than before the depression. . . . but such trade will recover substantially as soon as a working solution is found of the currency problem. . . . The most probable line of development is, perhaps, that countries with similar currencies will first cooperate in maintaining, or securing, a sufficient measure of stabilization to increase trade among themselves. This development is already visible within the gold-bloc and sterling area. On this basis bilateral trade agreements, gradually expanding and merging, will enlarge the volume of international commerce.

"Unless war or major errors of policy intervene, it seems likely that the world will be substantially more prosperous in 1935 than 1934. But the inherent defects in the economic system have, for the most part, not yet been removed; and there is no sufficient reason to expect that the world will avoid further alternations of boom and depression. . . . But for the future we may say that the prospect is moderately, and conditionally, a hopeful one." By Sir Arthur Salter. *The Yale Review*, Winter, 1935, p. 217:20.

## FINANCIAL MANAGEMENT

#### Speculation, Bank Liquidity and Commodity Prices

Credits to bank deposit accounts have their origin in bank loans, they are transferred from account to account by cash and check transactions, and are cancelled by the payment of bank loans. The liquidity of bank assets depends upon the distribution of the ownership of the deposit-credits as compared to the distribution of the obligations recorded by the loan-debits. Bank loans to potential consumers have an in-

flationary tendency upon commodity prices; bank loans to finance self-liquidating projects have no effect upon commodity prices. Bank loans to brokers and to stock speculators sometimes resemble loans to potential consumers and sometimes loans on self-liquidating projects. When, as in 1928 and 1929, they resemble the former type they tend towards a condition of non-liquidity of bank assets. By Wilford J. Eiteman. *The American Economic Review*, December, 1934, p. 635:11.

### Limited Capitalism—The Road to Unlimited Prosperity

The sub-title of this treatise reads—An Economic Theory and a Political Platform. Our problem is described as follows:

"We have over fifteen million laborers unemployed, starving and desperately looking for work. At the same time we have an enormous amount of natural resources, factories, farms, mines and other capital goods unused and going to waste. The unemployed laborers could produce with the help of this idle capital all they need to make their lives comfortable and enjoyable—and a great deal more. Yet, the laborers have to remain unemployed and starving, and the capital idle and going to waste. Why?

"What is that invisible obstacle standing between labor and capital and preventing them from getting together? What is the cause of this misery amidst plenty? What is the cause of modern depressions?

"The object of this booklet is to give an answer to this question by demonstrating: First, that all industrial depressions are caused invariably and unavoidably by one and the same cause, namely, SURPLUS INCOME and SURPLUS CAPITAL. By 'surplus income' is meant not the Marxian 'surplus value,' but an income of more than a person can actually consume, and by 'surplus capital,' not an oversupply of capital, but capital yielding its owner a surplus income. Second, that all other developments commonly considered and represented as the real cause—such as 'overproduction' of consumers' or producers' goods, modern inventions and labor-saving devices, inadequacy of our monetary system and gold standard, overcapitalization and overextended debt situation, trade barriers and lack of 'markets,' internal and external political and financial complications, etc., if they are at all responsible for the present situation, are only secondary effects of the one fundamental cause, only symptoms of the one fundamental trouble. Third, that the only measure required to eliminate this cause and to estab-

lish a period of uninterrupted prosperity is to limit all incomes and wealth to some reasonable amount, high enough to preserve the incentives so indispensably necessary for the stimulation of ambition and initiative, and low enough to prevent its becoming harmful.

This may be attained, the author contends, by imposing *from year to year* a 100 per cent tax on all surplus incomes of over \$50,000 or thereabouts, and a 100 per cent tax on all surplus wealth of over \$1,000,000 or thereabouts. By L. W. Allen. *Strand Publishers, 1934, 70 pages.*

### Liability of Accountants Under Securities Exchange Act of 1934

Title 2 of the securities exchange act of 1934 contains certain amendments to the securities exchange act of 1933 which make substantial changes in the liability of accountants under that statute. The author explains these changes. By Spencer Gordon. *The Journal of Accountancy, October, 1934, p. 251-7.*

### An Examiner Turns Banker and Makes 14 Loan Rules for His Institution

After having years of experience in criticizing others, the author became a bank officer and was, in turn, criticized by examiners. After being on both sides of the fence, he evolved the following loan rules:

1. Make loans only to those who can pay at the maturity of the note;
2. Lend money only for producing new wealth—not for paying old debts;
3. Secure adequate information before recommending the loan to the directors;
4. Watch the good loans to keep them from becoming bad;
5. Get up-to-date information from old customers as well as from new ones;
6. Never approve new advances on the basis of equities;
7. Make no loans with stock in the borrower's own business as collateral;
8. Do not sell notes to individual investors, nor discount them with correspondent banks without official approval of the board;
9. Do not forget that deposits must be paid on demand, and that loans must there-

fore be such as can be liquidated at maturity; 10. Analyze loans daily and avoid the criticism of examiners; 11. Loans "to benefit the community" must be just as liquid as the others; 12. Make no capital loans unless they are fully protected by collateral that has a daily market; 13. Make no loans to people without a regular income, even if they have clear real estate, unless you know the real estate is instantly marketable for cash; 14. Make no "policy" loans. A loan made to hold a deposit usually cannot be collected without losing the deposit. By Claude L. Stout. *Bankers Monthly*, December, 1934, p. 728:3.

#### **Regulation T Under the Securities Exchange Act**

Regulation T, which became effective on October 1, 1934, was issued by the Federal Reserve Board pursuant to Sections 7 and 8(a) of the Securities Exchange Act of 1934. Its purpose is to prevent the excessive use of credit for the purchasing or carrying of securities and applies to the extension and maintenance of credit by members of national securities exchanges and by brokers and dealers transacting a business in securities through the medium of such members.

This article explains features of Regulation T which pertain to the rules prescribed for margin requirements, extension and maintenance of credit, etc., pursuant to Section 7 of the Securities Exchange Act of 1934. Section 8(a) which deals with the restrictions on borrowings by members, brokers and dealers, is not described. By Lester E. Norris. *L. R. B. & M. Journal*, November, 1934, p. 1:9.

#### **The Federal Home Loan Bank System**

Revival of the capital industries is increasingly heralded as the solution to depression difficulties. Small-home construction, repairs, and mortgage financing offer extensive opportunities for stimulating capital industries and simultaneously assisting distressed home owners and mortgage creditors. Already functioning are the various agencies embraced in the Federal

Home Loan Bank System, whose enlarged legislative powers and expanding operations merit attention. 1. Originally the only part of the System, the twelve regional Home Loan Banks have operated impressively in lending to approved home-finance banks and associations on the security of their mortgage assets. 2. An off-spring of the System, and subject to it, is the Home Owners' Loan Corporation (HOLC), dealing directly with the public and salvaging existing mortgages largely through the exchange of its own bonds guaranteed by the United States government. These bonds have been an interesting feature of the investment market. 3. Another branch of the System, the Federal Savings and Loan Association, assisted by federal government funds, operates in local areas as thrift and lending organizations. 4. Finally, the last Congress added to the System a Federal Savings and Loan Insurance Corporation to insure the accounts of building and loan and savings institutions. The entire System, in both its emergency and permanent agencies, constitutes an important addition to the mechanism of home-finance. By J. E. McDonough. *The American Economic Review*, December, 1934, p. 668:18.

#### **A Sound Program for Money and Credit**

At the present moment, points out James P. Warburg, former member of the "Brain Trust," one of the greatest causes of apprehension is the uncertainty which pertains to the nation's credit and credit machinery. The New Dealers, he points out, are determined to master the machinery of money and credit. To this end they have "nationalized" gold and silver, they have "nationalized" the currency and many of them are now talking about "nationalizing" credit.

As Mr. Warburg says, "Whether those who advocate the nationalization of banks realize it or not, they are advocating nothing less than socialization of the whole state."

His conviction is that if political bureaucracy seeks to "manage" money and credit, it will end up by "managing" the entire

community, and that political control of money leads to corruption and chaos so long as the political government is dependent on popularity at the polls.

It is Mr. Warburg's firm belief that the control over money and credit should be vested neither in government nor in business, but in an independent organism such as the Federal Reserve System was intended to be.

He outlines a program of cooperation between government and bankers. By James P. Warburg. *Credit and Financial Management*, December, 1934, p. 12:5.

#### Why Not Uniform Accounting by Public and Private Plants?

With the Federal investigation of rates of publicly and privately owned electric plants throughout the country now well underway, there is much speculation as to the value of the results of the survey in determining the reasonableness of a given rate. The writer of this article believes that any comparison of rates is of little value unless based on uniform accounting laws. It is the author's opinion that Mr. Citizen is chiefly interested in the real costs of the service to the municipal and to the private plants and this he points out involves a great deal more than a knowledge of the rates which are charged consumers. By Harvey S. Chase. *Public Utilities Fortnightly*, December 6, 1934, p. 727:8.

#### Insurance\*

##### Underwriting Results of Various Insurance Organizations

An exhibit of underwriting results for 100 casualty, surety and miscellaneous companies in the decade from 1924 to 1934 shows an underwriting loss of over \$113,000,000. It is time to consider whether the stability of casualty business is not seriously threatened because of the lack

\* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Company.

#### Unused Credits and the Government in Banking

The federal government had loaned (as of June 30, 1934) \$6,544,000,000 through 17 government lending agencies, 15 of which have been created within the past three years.

In order to have a better understanding of just what the federal government is doing to supply the credit needs of farmers and business men, it will pay to consider its 17 lending agencies. This article gives the name of the lending organization, information as to its permanency, and information as to which of 49 types of loans it is set up to make. By John Y. Beaty. *Bankers Monthly*, December, 1934, p. 709:7.

#### How Inflation Affects Balance Sheets

It is the purpose of this article to show how wrong the presence of inflation can cause balance sheets to become. The balance sheets of representative European companies have been selected for this purpose. The reason is a twofold one. First, no other practical examples, certainly none for companies in the United States, appear to be available (at least, from published reports). Second, the European experiences with inflation were so extreme as to bring into clear relief the true natures of principles that, otherwise, might remain obscurely understood. By Henry W. Sweeney. *The Accounting Review*, December, 1934, p. 275:25.

of some adjustment in premium rates and underwriting problems. While the methods of underwriting differ materially among companies, these staggering losses are, in a large measure, attributable to unfavorable selection and unless thought is given to these problems in a better selection of risk and the elimination of abuses, dire results will follow. *The Spectator*, November 1, 1934, p. 10:2.

BETTERLEY, Assistant Treasurer, Graton & Knight

### Compensation Rate Method Approved by Commissioners

The National Convention of Insurance Commissioners, during its meeting in December, resolved that the general rate level shall be based upon the two latest available policy years of experience. In accordance with the principle that rates shall be adequate to meet all losses over a period of years, there shall be a basic contingency loading of 2.5 points which shall vary according to conditions.

Rating organizations are urged to make test checks of payroll audits and classifications for the purpose of disclosing and correcting defects. Carriers are urged to review medical services and inquire into the source of possible waste. *Journal of Commerce*, December 6, 1934, p. 16:1.

### Many Panaceas for Compensation Mess

Among numerous suggestions the one advanced by Robert S. Hull before the Casualty Actuarial Society is given consideration in this article. After pointing out that the two principal elements entering into Workmen's Compensation losses are accident frequency and severity, the author states that accident frequency is, to a large degree, under the control of the individual employer; that efficiently managed plants will show a better experience than others in a less hazardous classification where efficient safety work does not obtain.

The greater social good would be accomplished by making every employer financially liable to some extent at least, for every accident occurring in his plant. The logical conclusion is that the insurance carrier is to guard the assured against the risk that the accident in his particular plant may exceed in severity the average accident in his classification.

It is suggested that each employer pay a premium representing a fixed charge for every accident which involves loss of time beyond the day in which the accident occurs, plus an expense charge. If the employer has no accidents, his premium would be limited to a carrying charge sufficient

to cover the expense of handling the policy. The following economies could be effected according to the author: Inspection and accident prevention work to be furnished at cost by the insurance company and paid for directly by the employer; underwriting costs would be somewhat reduced and the element of judgment in the selection of risks would be minimized; payroll audit costs would be eliminated.

The commentator points to a practical objection in that the plan would bear heavily on the small employer who was unfortunate in his accident experience. Severities are relatively higher than frequency rates in the small plants. This may be due to the fact that accident prevention methods are less efficient in the small plants, and if the system of rating or charging for accidents as outlined in the plan is used, the small employer may take pains to avoid accidents. *The Spectator*, December 6, 1934, p. 30:2.

### Unemployment Insurance: Lessons from British Experience

A survey of the British unemployment insurance plan showing the fiscal experience and the lessons drawn from it. The study covers the period from the first Act in 1911 to June 28, 1934, when the plan was revised under the new Unemployment Act. The chief lessons are outlined as follows:

1. Unemployment insurance is not a remedy for depressional unemployment.
2. Seasonal and casual unemployment tends to become permanent as a result of statutory unemployment relief.
3. Chronic unemployment, due to permanent loss of trade, must be dealt with by other measures than unemployment insurance.
4. Without an efficient and honest administrative force, unemployment insurance has no chance of success.
5. Any scheme of unemployment insurance must be accompanied by a plan of unemployment relief for the workers who lose their right to insurance benefits or who cannot qualify for the receipt of benefits and for workers in uninsured occupations.
6. If unemployment insurance is

not supplemented by a scheme of relief, the temptation to extend statutory benefits to persons who are not qualified under the law is irresistible, making it impossible to avoid political raids on the unemployment fund until the state of national finances becomes so critical as to threaten the solvency of the nation. 7. If unemployment insurance is uniformly applied to all types of unemployment, it impairs the elasticity of the economic system. 8. If unemployment insurance is not based on an accurate knowledge of the facts of unemployment, it will be abused both by workers and by employers. *National Industrial Conference Board*, November, 1934. 30 pages.

### Three-Way Effort in Compensation Is Needed

How is the employer affected by legislation? How has the employer affected the legislation? What is the employer doing to facilitate its practical operations? In this article, the fourth of a series on the subject of Workmen's Compensation Insurance, the writer comments logically on the foregoing questions.

Employers, as a class who are insured and not entitled to any specific benefit prescribed by Workmen's Compensation legislation, have lost a great deal of interest in the amendment, repeal and proposal submitted to legislatures from time to time, although it is pointed out that these have a direct effect upon the insurance rates. It is further maintained that employers as a class have not assumed any control over

the administration of the law, and have lost considerable interest in employees who are injured, except in the case of self-insurers. The employer has the duty to take personal interest in the improvement, proposed statutory amendments and in the administration. Furthermore, there is lack of cooperation with the insurance carriers in many cases.

It is contended that administration and enforcement have been hanging back by right and benefits have gone forward. The administration cannot be adequate unless the employee, employer and insurance carrier render greater cooperation in the interests of enforcement. By Richard Spitz, *Journal of Commerce*, November 13, 1934, p. 13:1.

### The Economic Security of the People: A Study Outline

Twenty questions are listed which are aimed at basic problems of social insurance and data are provided which should help the reader to answer them. The pamphlet is intended for use by study groups and for group discussion and each chapter gives additional questions for such use. The chapters are: Some Challenging Facts; Unemployment Compensation; Old Age Dependency; Health Insurance. Prepared by the Industrial Department of the National Council of Young Men's Christian Associations in cooperation with a group of industrial, insurance and labor leaders. E. C. Worman, Executive Secretary. Association Press, 347 Madison Avenue, New York. 48 pages.

## OFFICE MANAGEMENT

### Organization: Job Analysis, Employment, Pay, Tests

#### Incentives that Stimulate Office Workers

First accuracy and then speed strike the keynotes in all clerical work according to the author who lists these incentives to clerical workers and shows how they operate: Give juniors a clear road to management; use visible records to stimulate pace;

give periodical examinations when there is a position to be filled; make workers proud of efficiency by testing their ability and praising it; lead the staff to make suggestions; give prizes and rewards for collective efforts. By Waldo Hutchinson. *The Office Economist*, November-December, 1934, p. 8:3.

### So You Want to Save Money?

Pointing out that office managers must constantly be on the alert for new and better ways of doing the work of the office and above all must be on the lookout for leaks that add to "overhead," the manager, methods and office procedure, Westinghouse Electric & Manufacturing Company, gives the following suggestions for doing a more complete job:

1. Get in on the movement for clerical incentives and bonus plans for clerical workers while it is still young;
2. Look into service activities in the office—mail, telephone, telegrams, repairs to office machines and equipment;
3. Keep abreast of developments in new equipment—visit show rooms of machine companies;
4. Study forms, stationery requisitions, conditions of stationery storerooms;
5. Study every report made in the office for a period of six weeks. Find out who makes each report, how much time is required to gather the information, how many copies are made, where each copy goes, and what each recipient does with his copy. Estimate as nearly as possible what each report costs and then answer honestly this question: "If I were paying the bills out of my own pocket, would I continue this report?" By G. L. Harris. *The Office Economist*, September-October, 1934, p. 6:3.

### Average Wage and Salary Payments in the "Service" Industries in Ohio, 1916 to 1932

Average annual earnings of wage earners in the "service" industries in Ohio decreased from \$1,180 in 1929 to \$939 in 1932. The decline for bookkeepers, stenographers, and office clerks was from \$1,732 to \$1,365. This represents a change of 20.4 per cent for the first group and 21.2 per cent for the second. These figures are based on annual reports to the Division of Labor Statistics of the Ohio Department of Industrial Relations from establishments employing three or more workers. By Fred C. Croxton. *Monthly Labor Review*, October, 1934, p. 970:14.

### How the Calculating Machine Aids First-Time Accuracy

Four major functions in the accounting organization of Allen & Hanbury Limited, manufacturing chemists and druggists, are taken care of by a battery of eighteen calculating machines of the key-driven, non-listing type. These functions are invoice-pricing, invoice-checking, sales "day-book" totalling, and sales dissection. The total number of invoices and credit notes to be handled in a year approaches 450,000—say 1,500 a day. Each invoice has, moreover, three sets of figures to extend, and each calculation has to be checked, making in all six operations per invoice. The total of daily sales under no less than forty-four departments with sixteen further subdivisions in the surgical instrument section is achieved with routine accuracy.

The entire system is outlined in this article. *Business*, October, 1934, p. 33:3.

### Public Employment Offices: Their Present Possibilities and Limitations

The functions of a public employment system are outlined with especial reference to its relationship to a program for social security. The main facts are given as to the present status of the United States Employment Service. Address of W. Frank Persons, Director of United States Employment Service, at Second Metropolitan Conference on Employment and Guidance Procedure of the Welfare Council, New York City, October 26, 1934. 14 pages.

### Standardize Those Instructions

No single factor in office administration, says the writer, is more conducive to efficient teamwork than standardized observance of employee instructions. For the proper management of this factor means the difference between a discordant, cumbersome routine, and a coordinated, effectively supervised organization.

Particularly is this true with companies having large office forces, or several departments and branches. Verbal instructions are altogether satisfactory in small

concerns, and in those requiring few office forms. But in organizations where the paper work is voluminous and varied, a system of standardized written instructions to the personnel is absolutely essential to effective supervision.

Such a system, the author feels, should include within its scope the following principles of standardized instructions: 1. Comprehensive and authoritative preparation of instructions; 2. Correlating instructions with paper forms; 3. Complete distribution of instructions; 4. Effective observance of standard instructions; 5. Training of new employees.

He describes the successful plan, adopted by The Mine and Smelter Company, for unification of personnel instructions. By Farris L. Morton. *The Office Economist*, September-October, 1934, p. 8:3.

#### Vocational Interest Scales

An analysis of three questionnaires in relation to occupational classifications and employment status. In testing employed and unemployed men, E. K. Strong's Vocational Interest Blank for Men was used and in testing the women, Grace E. Manson's Woman's Occupational Interest

Blank. In addition, Hepner's Vocational Interest Quotient Booklets were administered to a large number of employed and unemployed persons to ascertain the validity of this new method of interest analysis. Findings are given. By Isabel R. Berman, John G. Darley, and Donald G. Paterson. *University of Minnesota Employment Stabilization Research Institute Bulletin No. 5*, August, 1934. 35 pages.

#### Pros and Cons of Employment Tests

Personal interviews have been largely replaced by psychological tests for choosing employees. These tests have eliminated discrimination against applicants for personal reasons. The author, Personnel Director of the Lincoln National Life Insurance Company, states, however, that since the employee must meet the approval of his immediate superior personal characteristics must be considered to some extent. Monotonous work for intelligent employees leads to dissatisfaction but this can be remedied by judicious shifting between jobs. Often the poorer student makes the better employee. By Elizabeth L. O'Rourke. *System and Business Management*, December, 1934, p. 582:3.

### Records: Forms, Charts, Cards, Files, Statistics

#### How a "Television" View of Customers Keeps Down Accounts Receivable

The secretary, A. P. W. Paper Company, describes a method of facilitating collection of accounts by the more thorough utilization of information concerning the customer's character, standing, financial responsibility, and special problems. He believes that the better one can visualize his customer's situation the better he will be able to write collection letters calculated to bring in money and increase good will.

The basis of the plan is a method of filing telling bits of information gleaned from the outgoing and incoming mail. Although the installation of this system requires time the author believes that this

"slim and compact collection file, with a ledger record on top and notes as to terms, limits, conditions, and so on, on the bottom sheet and, perhaps, a few letters, with or without marked portions, keyed for their filing destinations in between, is a great satisfaction." By Spencer C. Gunn. *System and Business Management*, December, 1934, p. 575:3.

#### An Accountant Sets Up His Files

The filing system described in this article is for the accounting firm maintaining but one office, but is capable of expansion and development to meet the requirements of any accounting organization. The material to be filed in an accountant's office falls into two natural divisions or sections—

the office administration section and the section for clients' files. In the office administration section, material to be filed consists of ordinary administration correspondence, incoming invoices and various items of subject matter. In the clients' files each client's file consists of several folders, the number and classifications varying with the requirements of the work being done.

Details and set-up of files with illustrations are given. By Ellen L. Eastman. *The Office Economist*, November-December, 1934, p. 5:4.

#### We Handle More Items with the Same Personnel

The Cleveland Trust Company's distribution department handles 18 million items a year, with an equalized flow of work throughout each day. The method used, as described here by the department manager, is applicable in principle to most banks.

The following are some of the steps used in leveling the humps in operating routine: 1. A distributing department was organized by combining four departments: proof,

clearance, transit and night clearance; 2. Employees are shifted from one division to another, as the volume of work fluctuates, to avoid idle time and the necessity for more clerks; 3. Tellers help with distribution work both before and after banking hours; 4. Tellers are relieved of much work in the cages, because the new department does their proving. They are responsible only for cash taken in; 5. To handle branch office clearance, a night staff works from midnight to 7:30; 6. Tellers keep a record of endorsers of foreign and branch checks cashed by them; 7. The proof division begins by marking checks in mail deposits for float, sorting them into "main office," "city clearance," "transit," and "branch" bunches, which are given batch numbers; 8. Deposit slips and the first check in each bunch are stamped with the batch number; 9. The batch number is stamped on each item by the endorsing machine; 10. Adding machine "runners" balance divisions of the batch against the total of deposit slips in the batch. By Arthur Hays. *Bankers Monthly*, December, 1934, p. 714:4.

## PRODUCTION MANAGEMENT

#### General: *Promotion, Organization, Policy, Development*

##### Technical vs. Social Organization in an Industrial Plant

At the Hawthorne plant of the Western Electric Company a number of different studies were made from 1927 to 1932 on factors related to the satisfaction and dissatisfaction of employees. In the course of this investigation it became clear that many industrial problems were frequently misstated because of a failure to distinguish between the social organization of employees (the actual human situation) and the way that organization was technically and logically represented to be by the company (the blue print plan).

This report presents some of the human problems that existed in several small

working groups at Hawthorne pointing out the need for discriminating between technical and social organization as an essential for the understanding of many industrial problems. By F. J. Roethlisberger and W. J. Dickson. *Harvard University, Graduate School of Business Administration*, October, 1934. 36 pages.

##### Co-partnership and Control

Major Urwick discusses some of the problems involved in the association of workers with the higher control of business. Management today is becoming scientific rather than political—a task of co-ordinating the contributions of experts rather than of compromising conflicting

interests. The new, scientific type of administration demands specialized knowledge and intellectual detachment. Workers who possess such knowledge should not remain workers; and members appointed to Boards of Directors for the avowed purpose of representing the interests of a particular section are by definition the reverse of detached. There are further difficulties connected with the committee form of administration. Major Urwick suggests that the solution may come through representation of the workers on a second body, behind the Board, and standing in the same relation to it as the Houses of Parliament to the Cabinet—a body with wide powers of criticism and review, but no duties of actual administration. By L. Urwick. *The Human Factor*, November, 1934, p. 385:12.

#### Industrial Problems of the Day

Summary of the addresses at The Seventeenth Annual Silver Bay Industrial Conference. Includes the following papers: "Significant Changes in Employer-Employee Relations" by Glenn Gardiner; "The Extent and Trend of Unemployment" by Roswell F. Phelps; "Toward Unemployment Insurance" by John B. Andrews; "What Training in the Year Ahead?" by H. H. Tukey; "The Rights of Employer and Employee in Collective Bargaining" by Ordway Tead; "Nationalism and Internationalism in Business" by Claudius T. Murchison; "What is Social Justice in Industry?" by Spencer Miller, Jr. *Proceedings of The Seventeenth Annual Silver Bay Industrial Conference, held at Silver Bay-on-Lake George, August 22-25, 1934.* 87 pages.

#### All Costs Look Alike to Us

While direct manufacturing costs in the majority of plants are thoroughly supervised, comparatively little attention is given to engineering expenses. Yet these engineering expenses are substantial enough to warrant a very careful supervision. Bearing this in mind the United American Bosch Corporation has developed and installed a system for the collection and

analysis of all data necessary for a thorough control of engineering expenses. All data and statistics are collected and compiled by one clerk in an engineering administrative department. In this way it has been found that a closer contact can be maintained and information made available more quickly than if the work were handled by the accounting department. By Erich Marx. *Factory Management and Maintenance*, November, 1934, p. 484:3.

#### From Obsolescence to Profits

Taking over a poorly equipped cannery filled with obsolete machinery and operated by a cooperative association run by farmers and merchants of a country community, with a capital stock of \$10,000, and building it up to one of the largest private enterprises of its kind in the United States, with an authorized capital of \$1,000,000; making this cannery the main dependence of a large community for employment; operating this plant continuously throughout good times and bad, and so making that community one of the most prosperous in the country; climaxing their other achievements by originating a new line of products and introducing them into every civilized country on earth is the record of the Gerber Products Company as described in this article. *Mill & Factory*, November, 1934, p. 29:5.

#### Don't Say "No" to Candy

Management usually opposes sale and consumption of candy in working hours for fear of lost time. The author cites the experience of several plants which permit candy vending, finding that the privilege is not abused nor is management subject to added expense or bother.

"The conclusion to be drawn from the experience of these and other users is that management has more to gain than to lose in permitting candy sales from vending machines. No plant will testify to increased production, but all admit productive time saved, which would seem to be closely analogous. There is certainly no loss of energy as a result of candy eating, and the

granting of the privilege creates a friendly feeling toward the management, one of the aims of any personnel department. Probably the most attractive consideration, however, is the fact that industrial establishments can, without loss to themselves, enable employees to provide themselves with funds for extra activities." By Birney F. Miller. *Factory Management and Maintenance*, November, 1934, p. 499:2.

#### The Ralston Purina Solution to Five Vital Personnel Problems

In this article, the personnel director of the Ralston Purina Company points out a number of things the management can do to build a permanent organization of loyal, hard-working, well-satisfied employees.

Most of the plans, policies, and methods he advocates have already been put into successful practice by his company. The program of personnel relations outlined here applies to large and small companies alike.

Here are five ways of tapping the "Live Power" of every organization, according to Mr. Frailey: 1. Adopt a program of action—people like to belong to a going concern; 2. Give credit where credit is due—praise helps far more than criticism; 3. Be impartial—give the job to the best man and pick from within the company; 4. Take an annual audit of square pegs and round holes; and 5. Keep the pot boiling with a reasonable program of activities. By L. E. Frailey. *American Business*, November, 1934, p. 26:5.

#### Plant: Location, Lighting, Heating, Ventilation

##### 16 Basic Maintenance Principles

1. Buildings, machinery, and equipment are to be maintained in good working condition;
2. All maintenance work is to be under the direction of one man, the plant engineer;
3. In the larger plants all maintenance work is to be under a master mechanic, reporting to the plant engineer.
- In the smaller plants the maintenance group foremen are to report to the plant engineer;
4. Maintenance workmen are to be divided into four working groups: machine; carpenter; pipe; electrical;
5. The headquarters or shops of these groups of workmen are to be together, near the center of plant operations where practicable;
6. Maintenance work is to be done on a preventive rather than a breakdown basis.
- All maintenance workmen are to keep their eyes open for poor conditions;
7. In production departments, where special repair men are necessary, they will come under the maintenance head for their class of work.
- As few as possible of these special men will be kept in production, consistent with production requirements; in emergencies, or when behind in their work, they will call on the regular maintenance groups for assistance;
8. Helpers in all mainte-

nance groups are to be used interchangeably between groups, as the amount of work warrants;

9. General maintenance supplies are to be kept under control of maintenance stores and issued to workmen on work orders. Special machine parts or supplies used in only one production department are to be kept in a locked special cabinet, in that department, so that a workman will have replacing parts handy. The workman will make out an order for any parts used from these cabinets and deliver it to maintenance stores so that the records may be kept in order;
10. In the larger plants, electric trucks are to be available to convey men, tools, and materials between jobs and maintenance department, the regular factory trucking department to cooperate on this;
11. Maintenance work is to be done on orders signed by the production foreman in whose department the work will be done and which will be charged with the repairs. Small recurring jobs are to be done on a monthly open order for each department;
12. All maintenance jobs over \$10 are to have the labor expense estimated and checked against actual labor used by the maintenance department;
13. All maintenance orders entailing over \$25 total expense must be approved by the

plant engineer; those entailing a total expense over \$100 must be approved by the plant manager or other chief production executive; 14. Each production foreman is to be furnished a monthly summary of the maintenance expense charged to his department; the plant engineer is to get monthly summaries of maintenance expense of all departments; 15. Maintenance department

machines and equipment, including portable tools, are to be brought to a modern, efficient basis; surplus and obsolete equipment is to be discarded; 16. All maintenance work done by outside shops is to be done by getting bids and letting a contract where practicable. By C. J. Stuart. *Factory Management and Maintenance*, September, 1934, p. 413:1.

### Labor Relations: Collective Bargaining, Employee Representation, Arbitration

#### The Human Side of the Employment Problem

In this bulletin the most important of the policies that promote a better human contribution are first listed and checked in a table, after which each is discussed in connection with the devices in common use for carrying it out.

The policies are steady employment, good wages, other financial incentives, considerate and just treatment, good working conditions, starting and training

the worker right, making rules and regulations known to all workers, understandable and just discipline, policy of internal promotion, protection of older and injured workers, recognition of good work and faithful service, delegating responsibility, promotion of safety and health, advising workers regarding personal matters, business assistance to workers, encouraging thrift and savings, competent boss, and only one boss. *Minneapolis Civic & Commerce Association, Employer-Employee Committee*, November 7, 1934. 11 pages.

### Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

#### Wages and Hours of Labor in the Cigarette and Smoking- and Chewing-Tobacco Industries in Virginia and North Carolina, July, 1934

Hourly earnings were less than 30 cents an hour in July, 1934, for 51 per cent of the employees in the cigarette industry, 40 per cent in the smoking-tobacco industry, and 55 per cent in the chewing-tobacco industry, covered by a survey made by the Bureau of Labor Statistics for six occupations in these industries in Virginia and North Carolina. The 8-hour day and 5-day week were in effect in all of the establishments included in the study. Data for the individual occupations are given in this article. *Monthly Labor Review*, October, 1934, p. 963:8.

#### The Concept of Property Applied by Courts in Labor Cases

During the latter part of the nineteenth century, the Supreme Court enlarged its definition of property in public law. A similar enlargement was accomplished in labor law by the use of the injunction as well as by an increasing use of contracts in industrial relations, both of the "yellow-dog" variety and in collective bargaining. The consequences of this broader definition of property are examined. With respect to the property rights of business, it is found that it leads to forbidding any interference with a labor market bound by "yellow-dog" contracts and potentially with any labor market at all; with respect to the consumers' market, any interference is an invasion of property rights under fed-

eral court decisions. With reference to the property rights of the individual worker, they are found to be generally less exactly defined than those of the employer. Finally, property rights of unions are almost unrecognized, except where trade agreements exist in which case labor's rights are correlative with employers'. By T. Richard Witmer. *The American Economic Review*, December, 1934, p. 603:14.

#### **Labor Program of International Conference of American States, 1933**

The International Conference of American States at Montevideo, Uruguay, in December, 1933, devoted a considerable portion of its program to social problems, including unemployment, housing, the position of intellectual workers, working-class conditions, and the establishment of an inter-American labor institute. The action taken by the conference in regard to these matters is shown in this article. *Monthly Labor Review*, October, 1934, p. 923:6.

#### **Shop Methods: Industrial Engineering, Standardisation, Wasts, Rate Setting, Time and Motion Study**

##### **Intelligent and Profitable Operation Through Standard Costs**

The United Typothetae is made up of a considerable proportion of the firms in the commercial and periodical printing industry. Important in its work are the standard accounting and cost-finding systems, which have been in operation for 23 years. The Typothetae is the administrative center for these systems and has made possible the gathering, compilation, and interpretation of the experiences of the industry and the formulation of "practical plans that are being employed in their entirety by many hundred firms." These systems are described in the article by the director of accounting, United Typothetae of America. By F. W. Fillmore. *Executive Service Bulletin*, November, 1934, p. 7:2.

#### **Buying Health**

A special issue on the economic aspects of health problems. It includes articles on the attitude of physicians and the public; on the situation as it seems to family physicians, to physicians in group practice, nurses, dentists, hospitals, and employers; on what has been learned of the practicability of health insurance from European experience and from Workmen's Compensation; on the plan which is proposed for Michigan; and on a plea for general social insurance by Frances Perkins, Secretary of Labor. *Survey Graphic*, December, 1934.

#### **Social Welfare in the National Recovery Program**

Setting forth the main features of current measures of relief and rehabilitation; followed by a monograph on the Conduct of German Foreign Affairs. *The Annals of The American Academy of Political and Social Science*, November, 1934. 269 pages.

#### **Control Board Tells All**

The production control system outlined here has been successfully installed in a number of woolen and worsted mills. Its principal feature is a control board, not very much different from other control boards. The purpose of the system is to control the production of goods, not by customer as is the practice of many mill managers, but to follow the process of style.

Whether or not pieces in process are ahead or behind schedule is determined by checking the location of each piece daily at important production centers. The checking points are: 1. Orders received; 2. dressing; 3. weaving; 4 finishing; 5. shipping. By R. N. Vincent, *Factory Management and Maintenance*, December, 1934, p. 534:2.

## MARKETING MANAGEMENT

### Profits from Statistical Control of Markdowns in a Style Business

In the past few years, business men, particularly garment merchants, have striven for increased sales disregarding the fact that in increasing volume they have more rapidly increased the cost of selling and distributing.

Expenses are ordinarily allocated on the basis of the ways in which costs accrue to sections of sales volume, rather than to the ways they vary with changes in sales volume. An accurate knowledge of these operating expenses, together with a careful scrutiny of each component part, will aid in eliminating unprofitable merchandise, and will control price markdowns. By S. L. Kedzierski. *The American Marketing Journal*, October, 1934, p. 191:6.

### Life Begins at \$40

According to figures of the Brookings Institution at Washington, in 1929, 60 per cent of the families of the United States had incomes of not more than \$2,000 a year. Forty dollars a week means \$2,080 a year. "A family income of \$2,000," it is pointed out, "may be regarded as sufficient to supply only basic necessities."

According to the writer, life begins at \$40 and sales begin at that same point. The larger the bulk of population there is above that line, the more prosperous is America, the more hope there is for "recovery" in the industries making "quality things." Up to \$40 people think and buy in terms of sustaining life. Above that point they think and buy in terms of enjoyment of life. By Chester M. Wright. *Printers' Ink*, November 15, 1934, p. 7:4.

### Sales Promotion: Letters, House Organs, Advertising

#### Dealer Key of This Plan

By emphasizing to prospective distributors what the company will do to help dealers sell its products, The Marshall Furnace Company has added a little more than 100 per cent additional distributing outlets for its product since February, 1934.

The company issues booklets for customers which tell them how to buy and operate furnaces efficiently. A free correspondence course on warm air heating and air conditioning is offered the dealer by the company. Plan blanks are also furnished which give the dealer a basis for checking the information necessary in planning a heating system and a definite form upon which to work out these plans.

The company's campaign was one of those chosen by the Direct Mail Advertising Association, Inc., as one of the best fifty of the current year. By C. S. Stout. *Printers' Ink*, November 1, 1934, p. 59:4.

#### More Hail—and Less Farewell!

Paraphrasing an old axiom, the vice-president of Alexander Hamilton Institute points out in this article the folly of forgetting how much customers cost. A lost customer is a monetary loss, not merely because he represents potential volume that now has gone overboard, but also because he represents an asset into which has gone a sizeable lump of the seller's money.

If there ever was a time when advertising and merchandising effort should be directed toward holding old business, as well as developing new, it is today. By Bernard Lichtenberg. *Printers' Ink*, November 1, 1934, p. 7:7.

#### When Buyers Are Prejudiced Against a New Product

There are many products which are misunderstood by consumers and are suffering from underconsumption. In this

article the editor of Dartnell Publications, Inc., takes the sausage casing industry as an example.

Prior to 1926 sausages had been packed in animal casings for at least 2000 years. Then came a manufactured cellulose casing which had definite superiorities to the animal product. But when salesmen approached sausage packers they found them particularly prejudiced.

### Salesmen: Selection, Training, Compensation

#### How to Use Persuasion

The art of making up the other man's mind makes a selling job become one of the most fascinating and interesting jobs. In this article Mr. Bigelow says, "If you wish to become a master of the art of persuasion—if you wish to learn more of the magic art of making up other men's minds—learn to discover the losses and fears from which men wish to escape. Then if you threaten men with these losses and fears and show them how your product will enable them to escape such losses and discomforts and inconveniences, you will have made that double-barreled appeal which it is extremely difficult for the average human being to resist successfully." By Burton Bigelow. *The Red Barrel*, October 15, 1934, p. 10:3.

#### A Better Plan to Control Auto Expense

The Dartnell Corporation has compiled a sliding allowance for salesmen's automobiles. It is based upon the figures of companies operating large fleets of cars, but is said to be just as suitable for smaller companies operating fewer cars.

How salesmen can win over sausage packing foremen and how manufacturers can meet competition of other sausage packers within a territory are described. The writer also outlines several sales promotion plans which helped manufacturers build their business until they were selling 90 per cent of all possible prospects. By Eugene Whitmore. *American Business*, November, 1934, p. 16:5.

The factors upon which the Dartnell Sliding Allowance is based are as follows:

1. Type of car used; 2. Depreciation; 3. Repairs and 4. Territory traveled. A chart describing the schedule of allowances accompanies the article. By Edwin H. Shanks. *American Business*, July, 1934, p. 9:4.

#### Save Something for the Final Push!

There are four essentials in the making of a successful salesman: 1. Taking stock of himself; 2. Taking stock of what he has to sell; 3. Knowing how to sell; and 4. Accomplishing a definite amount of work within a definite period of time. Then during the interview it is also very important to keep the prospect's mind on ideas of the benefit, service, and value the salesman has to offer him.

A real salesman closes the interview step by step, getting the prospect to agree on each point as it is developed. To get a final decision he asks for an agreement on some minor point which amounts to acceptance of his proposition. By Griffin M. Lovelace. *The Red Barrel*, October 15, 1934, p. 2:4.

### Books Received

**The Marketing of Cotton.** By John A. Todd. Isaac Pitman & Sons, New York, 1934. 250 pages. \$3.00.

**Modern Accounting Systems.** By William D. Gordon and Jeremiah Lockwood. John Wiley & Sons, New York, 1933 (sec. ed.). 481 pages. \$4.00.

**Social Security in the United States, 1933.** A record of the Sixth National Conference on Old Age and Social Security, together with a Census of Old Age Security in the United States. American Association for Social Security, Inc., New York, 1933. 123 pages.

**Report of the Federal Trade Commission on Price Bases Inquiry.** The Bas-  
ing-Point Formula and Cement Prices.  
Federal Trade Commission, Washington,  
1932. 218 pages. 30 cents.

**Russia in Transition.** A Business Man's  
Appraisal. By Elisha M. Friedman.  
Viking Press, New York, 1932. 614  
pages. \$5.00.

**Get That Job!** By Robert T. Gebler.  
Frederick A. Stokes Co., New York,  
1932. 160 pages. \$1.00.

**Training Youth for the New Social Order.** By Rudolph R. Reeder. Antioch  
Press, Yellow Springs, Ohio, 1933. 248  
pages.

**History of the Foreign Policy of the  
United States.** By Robert L. Jones.  
G. P. Putnam's Sons, New York, 1933.  
536 pages. \$3.50.

**Trend of Business, 1922-1932.** By Arthur  
B. Adams. Harper & Bros., New York,  
1932. 92 pages. \$1.00.

**The World Economic Crisis, 1929-1932.**  
By Paul Einzig. Macmillan, New York  
and London, 1932 (third edition). 178  
pages. \$2.75.

**Statistical Abstract of the United States,**  
1932. (fifty-fourth number) United States  
Department of Commerce, Bureau of  
Foreign and Domestic Commerce, Wash-  
ington, 1932. 826 pages. \$1.25 (Buckram).

## Survey of Books for Executives

**Capital and Interest.** By Montgomery D. Anderson. Business Publications Company, Chicago, 1934. 202 pages. \$2.50.

This work was conceived and developed some little time before the economic revolution of 1933 in the United States and "there has been no deliberate aim on the part of the author to provide a system of economics which might be consistent with the program of governmental control of industry now dominating the American scene. Yet it so happens that the theories developed in this book might serve to rationalize some—but not all—of the adventures in governmental control which have been inaugurated recently in this country."

The author asserts that these governmental experiments lack theoretical respectability on the whole, when judged by most systems of economics prevalent today. He points out that there is no comprehensive system of economics into which the various parts of the national program can be integrated. The general tendency in most systems of economic thought is to frown on governmental control and to say that "nature should be allowed to take its

course." At the opposite extreme from this *laissez-faire* dogma of the dominant economic systems, there is a school of thought which says there is no limit to governmental interference with business because there are no "natural" economic laws which may not be altered or modified.

Between these two extremes there is virtually no school of thought extant which has been formulated into a compact and well-articulated system. The author hopes this book will to some extent bridge the gap between these two extremes of thought. The book does not present a complete system of economic theories, "but to the capital-interest problem—which is the crux or nucleus of any system—it does offer an unbiased solution."

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**Unemployment and Relief.** By Robert G. Elbert. Farrar & Rinehart, New York, 1934. 136 pages. \$1.00.

A short and concise survey of the causes of unemployment and proposals for its mitigation. The author suggests certain changes in our administration of relief, important among them being the financing of

all public relief by a national sales tax. A national scheme of unemployment insurance is described, which is to be supported by contributions from both employers and employees. The most important plans for unemployment insurance and reserves, such as the Ohio, Wisconsin, and Deane plans, are also reviewed.

**Modern Housing.** By Catherine Bauer. Houghton Mifflin Company, New York, 1934. 331 pages; 48 plates. \$5.00.

Modern housing—a subject of great significance in connection with the President's Recovery Program—is discussed fully in this book. With the assistance of the Carnegie Corporation, Miss Bauer has studied the finest examples of European housing in the light of their application to the United States, prefacing her study with a detailed survey of the failures and accomplishments of the nineteenth century and the pre-war era. Housing economics, home-ownership, slum-clearance, factory-made houses, and hundreds of other pressing issues—including housing as a means of providing employment—are fully discussed, and many illustrations furnish a pictorial history of housing development. The book is, in short, an analysis of what may well prove to be the most lasting achievement of this era: the modern planned community.

**Stock Market Profits.** By R. W. Schabacker. B. C. Forbes Publishing Company, New York, 1934. 342 pages. \$5.00.

Written by the financial editor of *Forbes*, who is also author of "Stock Market Theory and Practice" and "Technical Analysis and Market Profits," this volume is meant not only for the experienced professional operator but also for the average layman who is interested in drawing practical profit from his stock market operations even though they be only a part-time hobby.

Although several chapters deal with the technical aspects of security trading the book is for the most part non-technical,

hence easy for the novice as well as the experienced operator to understand. Of particular interest is the chapter on "Market Psychology," also the one on "Common Sense and Foresight in Trading."

**Stable Money.** By Irving Fisher. Adelphi Company, New York, 1934. 442 pages. \$3.50.

An impartial discussion of this highly controversial subject by a leading authority on monetary problems. Professor Fisher's book makes a complicated subject easy to understand and furnishes a background of the monetary controversies of the day.

This volume aims to give a complete history of the past efforts towards inaugurating a stable currency so as to prevent the evils of inflation and deflation. It also covers the present status of the stable money movement throughout the world, and discusses the recent experiences with a "Managed Currency" abroad.

**The Budget in Governments of Today.** By A. E. Buck. Macmillan, New York, 1934. 349 pages. \$3.00.

The author embodies in this work the results of several years' study of the budget, both at home and abroad. He sets forth the essentials of the budget system as applied in the United States and in other leading countries. He points out certain drawbacks to budgeting under the American form of government and indicates ways of dealing with them. He also suggests several methods of improving current budgetary practices in our national, state, and local governments.

**Handy Office Book of System, Form and Method.** The Ronald Press, New York, 1934. 277 pages. \$1.95.

Every one in business has questions recurrently arising in each day's work where a quick answer to some point of routine procedure, customary business practice or perhaps commercial law or accounting will save delay, trouble, or at times a serious mistake. This book is designed to be a right-hand assistant in such matters, for

constant desk use. As is pointed out in the preface it gives "quick and ready answers, definitions, tables, formulas, and forms whose value needs no comment."

**International Economic Relations.** University of Minnesota Press, Minneapolis, 1934. 397 pages. \$3.00.

Report of the Commission of Inquiry into National Policy in International Economic Relations, of which Robert M. Hutchins, University of Chicago, is chairman.

**Fundamentals of Tabulation Typing.** By E. W. Farrell. Bruce Humphries, Boston, 1934. 30 pages. \$2.00.

The author explains that his purpose is to present a systematic procedure for the typing of statements, based, for the most part, on simple mathematical formulae and fundamental principles which can be adapted to tabulations of all descriptions.

This procedure will eliminate the necessity for first making out a dummy of a statement, in order to gage the size, with all the inaccuracies and miscalculations that are liable to occur. It is pointed out that it will take time, study, and practice to master the principles involved, but once they have been assimilated time and energy will be saved and better results obtained.

There many "exhibits," charts, and tabulations throughout the book, and instructions—such as placement directions—are illustrated for clarity.

**Understanding the New Stock Market.** By Robert Irving Warshow. Greenberg, New York, 1934. 207 pages. \$2.50.

Intended as a simple guide for the average investor and trader, this book aims to acquaint him with his rights in his relationship to his broker, and to supply him with such general information as he needs.

Among the subjects treated are: Margin trading—mechanics and regulations; types of orders—their placing and execution; short selling under the new act; brokerage charges—commissions, interest,

taxes, etc.; broker-customer relations and methods of protection for the buyer; syndicates and pools; market trading; chart and tape reading; arbitraging; pyramiding; averaging, etc.

A short summary of the important provisions of the Securities Exchange Act is given, as well as an up-to-date list of ticker symbols.

**Choosing a Career.** Edited by George Bijur. Farrar & Rinehart, New York, 1934. 274 pages. \$1.75.

A collection of the speeches at the "Choosing-A-Career Conference" which the Bamberger Foundation held, June 26 to June 28, 1934, and at which thirty leaders in different fields gave their best advice to the college youth of today. There has been such enthusiasm on the part of the presidents and deans of all the universities, the heads of big business, of banks, and of various industries, etc., that it was decided to publish these speeches in book form.

**Budgeting.** By Prior Sinclair. The Ronald Press, New York, 1934. 438 pages. \$5.00.

A major aim of this book is comprehensiveness. Thus it treats budgeting in its full scope, not merely as a matter of mechanical routine or as a phase of accounting procedure but more broadly as a plan of practical business management. In so far as the limits of space permit, the numerous aspects of the subject have been presented with the purpose of bringing to the user of the book not only a knowledge of budgeting technique but also an insight into the laws of business organization and management, which knowledge is essential for the preparation of a practical, effective and realizable budget.

In keeping with the requirements of a fully developed budget system, fifteen major budgets are presented separately and discussed in detail. These major budgets include the master budget; the financial budget, estimated balance sheet, and estimated profit and loss statement; the sales budget which is the starting point of bud-

getting; the production budget which is the basis for production, manufacturing and cost control; the budgets for raw materials, incidental materials, indirect materials and supplies; the purchase budget which serves to avoid both overbuying and underbuying; the budget for labor, which though not generally the largest element of manufacturing cost usually requires careful study and thought, and the manufacturing expense budgets, which assist materially in the solution of some of the most difficult expense control problems.

The major budgets also include the selling and advertising expense budgets which must have the flexibility to meet and provide for sudden and wide variations, and also the numerous budgets of management expenses. The plant and equipment budget, an effective device for controlling investment in physical property, is fully described. The retail merchandise budget for mercantile concerns is a highly effective aid in handling the difficult problems embraced in having the right merchandise in right quantities at the right price at the right time.

**The Credit Manual of Commercial Laws for 1935.** National Association of Credit Men, New York, 1934. 503 pages. \$5.00.

This is the 27th annual edition of a handy manual of commercial laws published by the National Association of Credit Men. Each year the manual is revised as to changes in laws affecting trade. During the last part of 1933 and so far in 1934 some 40 state legislatures held special and regular sessions during which new laws affecting trade were passed and former ones revised.

One of the important features of the 1935 edition is a complete review of the amendments of the bankruptcy law, dealing especially with those revisions which set up regulations for compositions and extensions by individuals, corporate reorganizations, agricultural readjustments and changes in general bankruptcy procedure. In addition to the review and comment upon these important changes, a full text of the bank-

ruptcy law as amended during the last few days of the last session of Congress is presented.

Another important section deals with bonds on public improvement. With the many millions of dollars being spent in government contracts by the various departments, the information contained in this feature is of especial importance to those furnishing materials and equipment for such government contracts.

**Towards Stability.** By Sumner H. Slichter. Henry Holt and Company, New York, 1934. 211 pages. \$2.00.

If there is one question that of late years has absorbed the attention of business man, man in the street, and economist alike, it is the question of whether the disastrous ups and downs of the business cycle—the booms and depressions—can be prevented; and if so, how. It is with this question that one of our leading economists has concerned himself in the present volume.

Now that we are throwing *laissez-faire* overboard, can a controlled economy be operated? asks Professor Slichter. What are its possibilities, its problems, and what are the constitutional prerequisites? Can stability be reconciled with growth? Whether government expenditures can "prime the pump"; whether restriction of production helps to produce a revival; when easy credit is a help; the problem of maintaining purchasing power: these are among the topics which receive full treatment in this volume.

**Corporation Finance.** By Floyd F. Burtchett. Harper & Brothers, New York, 1934. 1078 pages. \$4.25.

Part I of this book is devoted to a discussion of the corporation and its development and place in modern industry, the nature and supply of capital funds, and the demand for capital. Part II is technical and provides a description of, as well as a statement of the principles which are involved in, the several types of contracts (securities) under which corporations acquire capital funds. Part III discusses the

financial organization of modern business, with particular emphasis upon corporate and quasi-corporate forms. The processes, practices, and institutions involved in the acquisition of capital by corporations constitute the subject matter of Part IV. In Part V the finances of the going concern are discussed, in both the external and the internal aspects. In this part of the discussion considerable emphasis is given to the dynamic nature of business and social life. The particular problems of the successful business and its growth and expansion are considered in Part VI. Less successful corporations provide the subject matter for Part VII, in which are discussed questions of financial embarrassment, readjustment, reorganization, reconstruction, failure and dissolution. Though the social viewpoint is introduced throughout, Part VIII is exclusively devoted to the broader evaluation of current practices and problems. Some suggestions for reform will be found scattered through the volume, though especially in the last four chapters.

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**The Economic Legislation of the Seventy-Third Congress.** Volume II. National Industrial Conference Board, New York, 1934. 256 pages. \$2.50.

Volume I of this series contains a reprint of all important economic laws passed by the special session of the Seventy-Third Congress, with a brief topical digest of these laws. Volume II covers in the same way the legislation of the regular session in 1934. The importance of these laws is indicated by the fact that they give the federal government power to influence or control the following: the value of money, of life insurance policies, of savings bank accounts, and of all property, tangible and intangible; the rate of wages and the length of the working day; the volume of production and prices both of agricultural commodities and of raw materials and factory products; the relations between employers and employees; production, price, sales, and financial management of business enterprises; loans and investments of

banks; tariff rates and the quantity and character of exports and imports; the ownership, prices, and exportation and importation of gold and silver; purchase, sale, and issuance of securities; purchase and sale of foreign exchange.

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**Economic Planning and the Tariff.** By James Gerald Smith. Princeton University Press, Princeton, 1934. 331 pages. \$3.00.

Since the World War, and particularly since the depression, so many doctrines with respect to tariffs, price-fixing, and trade or agricultural restrictions have been presented that the general public is in a state of bewilderment.

In this book the author, associate professor of economics, Princeton University, discusses the policies which have been tried out or proposed, and finds little good in any of them. Dr. Smith, however, does not look at the situation in the spirit of free-trader philosophy of the past century, but in the perspective of present day conditions, particularly in the United States, and with full appreciation of the social and economic trends of modern society towards a greater measure of collectivism as distinct from the *laissez-faire* era. He does, on the other hand, show that trade restriction policies, whether under the New Deal or under the G. O. P., have all been bad, a menace to economic progress and world peace.

This essay on social philosophy is so arranged that the purely factual material is contained in a number of appendices, while the arguments themselves are in the text.

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**Liquid Claims and National Wealth.** By Adolf A. Berle, Jr., and Victoria J. Pederson. Macmillan, New York, 1934. 248 pages. \$2.50.

The authors of this study refer to it in their subtitle as "an exploratory study in the theory of liquidity." The growing tendency of our financial institutions to seek this quality centers attention on the subject. The depression has demonstrated that

traditional views of liquidity, its manifestations, and its rôle are subject to revision.

It is pointed out that liquidity in a literal or "real" sense depends on the flow of goods towards a market which presupposes an outflow of consumption and an inflow of production, more or less in balance, while "artificial" liquidity depends on the flow of savings towards investment in capital, accompanied by an outflow of savings to take care of the contingencies of life or stimulated temporarily by some process of emotion.

It is also pointed out that "an economic structure based on liquidity must almost of necessity be fragile, unless some device can be found to coin the national wealth into money at any given moment of time when a tide of emotion, either of fear or desire, impels many owners to call for their supposed blank claims on civilization." This leads the authors to a discussion of the reorganization of the money markets.

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**Retail Selling and the New Order.** By Kenneth Collins. Greenberg, New York, 1934. 203 pages. \$2.50.

The title of this book might lead one to expect something revolutionary; instead we find a frank but friendly review of the existing order of things in the management of department stores, with emphasis on the merchandising and advertising divisions. Criticism? The book is little else, but its criticism is of the constructive sort with every proposed change so well supported that if we did not know how slowly moves all the world, including that of business, we should expect to see Mr. Collins' well-conceived and reasonable reforms in operation next week.

The author discusses at some length the relationship between buyer and manufacturer and between buyer and merchandise manager. He makes the point that so long as the latter does not "pose as a master mind," but helps his buyers as they obviously need to be helped in the performance of their manifold duties, he has and will continue to have an important part to play in retail distribution. For the type

of merchandise man who is primarily a theorist and statistician, Mr. Collins has no use.

Other chapters are devoted to the controller, sales promotion manager, general manager and bargain basement manager, and if, here and there, a bit of satire enters into the discussion of these and other officials, it is always good-humored.

The advertising section is the most technical part of the book but even this is not beyond the understanding of the layman and it carries conviction that the methods proposed for conducting this branch of the business are sound.

Under the heading, "They Also Serve," the New Deal is reflected in the author's championship of rank and file workers. There is special reference to salespeople who, it is said, too often are regarded as "so many expense units on a ledger instead of priceless, human contributors" to the success of the business, and to those "unsung heroes of retail publicity"—the sign-painter, proof-reader, production manager, artist, and copywriter. The well-deserved tribute is generous and sincere and indicates a social-mindedness that makes one wonder why the personnel division and the part it is destined to play in the new order, are scarcely even mentioned in this volume.

Although the author finds much that is fundamentally wrong in the present-day conduct of department stores, a persistent optimism pervades his book and the reader lays it down with a glow of enthusiasm over the brilliant future predicted for the department store.

A book on business such as this—well and simply written, interesting, provocative, even entertaining—is a rare pleasure. Not for one moment is the reader tense, perplexed, bored, or even sleepy. The humor which brightens every page is delightful and keeps one reading, without effort, to the end. The secret of it all is, Mr. Collins is a man of letters as well as business.

CHANNING E. SWEITZER,  
Managing Director,  
National Retail Dry Goods Association.